

# A New Paradigm for Regulating Specific Aspects of the DDFS: Consumer Protection

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***The views expressed in this presentation are personal to the Presenter***

# For Discussion...

1. What is "DDFS"?
2. Consumer protection issues in a digital environment
3. Some possibilities for action...

# What is “DDFS”?

**“Digital Delivery of Financial Services”** – speaking broadly - means the use of digital technologies to deliver financial services for the purposes of either the additive model and the transformative model

**Financial services may include:** payments, international remittances, credit facilities, savings, insurance, wealth management products...

# What is New about DDFS?

- New **providers**– e.g. telecos
- New **distribution models** – e.g. 90,000+ M-Pesa agents
- New **financial products** – e.g. payments
- New **clients** – the unbanked
- **Big Data** use for marketing / credit scores
- **Electronic** account / transaction **records**
- **Limited face to face contact** with providers

# What is Consumer Protection?

As well as treating clients fairly (in a broad sense), **KEY** aspects include:

1. Transparency
2. Safeguarding client funds
3. Product suitability
4. Responsible lending
5. Customer recourse – internal and external

*And Financial Capability ...*

# Why do We Care?

- Consumers benefit
- Trust > Financial inclusion
- Competition
- Financial stability

***FCP frameworks need to be properly designed, implemented and supervised***

# **DDFS: Consumer Protection Issues (1)**

- **Electronic disclosure and contracts**
- **Protecting client funds**
- **Intermediaries – liability and training**
- **Responsible lending**
- **Product suitability**

# **DDFS: Consumer Protection Issues (2)**

- **Big Data**
- **Mistaken Payments**
- **Complaints / Dispute Resolution**
- **Financial Capability**



# **DDFS: Consumer Protection Issues (3)**

- **Security issues: fraud and identity theft, hacking, lost or stolen mobile devices**
- **System malfunctions**
- **Savings – interest on e- wallet balances**
- **Deposit Insurance for e-wallets**
- **Know Your Customer**

# ACTION: A Universal Code for Financial Consumer Protection in the Digital World

This could be a **Public / Private Sector Code** with the following key design principles:

1. Proportionate, risk based and predictable
2. Activities based (cf. sector based) approach to substantive obligations
3. Benefits individual consumers and small businesses
4. Principles based but with specific rules for specific issues / products
5. Transparent, accessible, low cost customer recourse systems
6. Recognize the financial capability challenges of consumers
7. Risk based approach to supervision / compliance checks
8. Plain English drafting ... ETC

**NOTE: THE ISSUES WE ARE CONSIDERING ARE NOT NEW ... THERE ARE MANY INTERNATIONAL & NATIONAL PRECEDENTS ...**

# International Resources relevant to Consumer Protection and DDFS

- The G20 Principles for Innovative Financial Inclusion
- The G20 High – Level Principles on FCP
- The World Bank’s Good Practices on FCP
- Smart Campaign Client Protection Principles: Model Law and Commentary for Financial Consumer Protection
- AFI Guidance Note on Mobile Financial Services
- GSMA Mobile Privacy Principles
- Responsible Finance Forum V and VI Reports

**And the Australian E-Payments Code ...**

**THANK YOU...**